

ROBINSON, SEILER & GLAZIER

Attorneys and Counselors at Law
Mark F. Robinson
Thomas W. Seiler
David L. Glazier
Marilyn Moody Brown
Mark K. Stringer
Of Counsel
Claude E. Zobell

September 14, 1989

Division of Oil, Gas and Mining
Department of Natural Resources
State of Utah
355 West North Temple
Three Triad Center, Suite 350
Salt Lake City, UT 84180-1203

RE: Yellow Hammer Mine and Clifton Mining Area Cases
M/045/019, Tooele County, Utah
Memorandum of Meeting and Understanding

Dear Scott:

The purpose of this letter is to memorialize our meeting the other day and to respond to the message you left in my office with regard to the posting of a surety on the above-referenced matter.

It is my understanding from the meeting that you were going to discuss this matter with Lowell Braxton and to get approval for allowing American Consolidated to post a surety, in some form other than cash acceptable to both the division and to the stockholders of American Consolidated. In conjunction with this, it is my understanding you were going to review the Clifton Mining Area where we were doing the drilling to determine the scope and dollar amount of reclamation that you suggest for that area as well; treating both mining sites as one operation. Further it is my understanding you were going to try to get that done by the end of the week and get back to me possibly as early as Monday with a dollar figure. Obviously, until that is done, we will not know the total amount of the surety required and therefore will not be able to decide on what form the surety might be able to take.

You will recall at my meeting that I suggested that the surety might take the form of stock in American Consolidated Mining Company, Inc. American is a public corporation which has been trading for a number of years and has maintained an average value of approximately fifteen cents a share during at least the past six-months.

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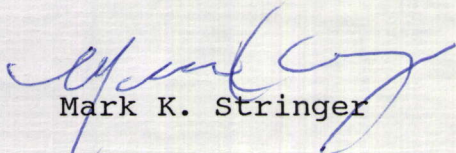
Letter to: Division of Oil, Gas and Mining
September 14, 1989

As you know, the purpose of our exploration on the Clifton sites at this time is to establish the reserves and ore values to determine whether or not open up an active mining site. As you can appreciate, if we do decide to open up a commercial site, the stock will only increase in value. At any rate, you were going to contact the "powers that be" with regard to taking American stock as a surety and let me know if that would be appropriate. I have in the interim discussed the matter with the members of the Board and they feel confident that the stockholders would approve of this and that enough stock is available to bond even for the combined mining sites reclamation (which you estimated to be in the area of \$25,000 to \$30,000 total).

In the meantime, it is my understanding that the order to cease operations is suspended while we work through this surety matter and, if subsequently an appeal must be taken, while the appeal is being considered.

Finally, let me reassure you that American is committed to working with the division and the board to comply with the laws and regulations as they apply to the projects American is contemplating in the Clifton area. I appreciate your consideration and patience in meeting with me the other day, and look forward to working with you to resolve these matters as economically and quickly as possible.

Regards,



Mark K. Stringer

MKS:kl

cc: American Consolidated Mining